



# U.S. - RUSSIA Energy Working Group

## REPORT ON THE OIL MARKET SUBGROUP



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# Oil Market Subgroup



- The Oil Market Subgroup met in Moscow on March 11, 2003, in conjunction with the Investment Subgroup.
- The meeting was co-chaired by Vladimir Kirillov and Len Coburn.





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- Presentations were made by Mark Rodekohr of the DOE's Energy Information Administration, on Long Range Forecasting Models, with a similar presentation by Vladimir Kirillov.





# Oil Market Subgroup



- Another set of presentations were made by Len Coburn on U.S. tax regimes and by Yekaterina Tumanova, Deputy Head, Department for Economic Regulation, Russian Ministry of Energy.



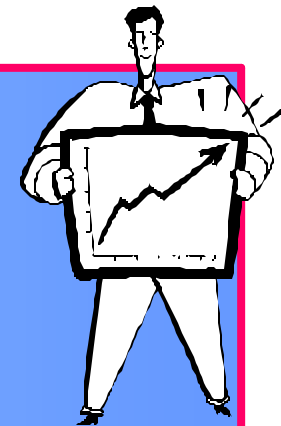


# Oil Market Subgroup

(Excerpts: Rodekohl Briefing)



- Rodekohl's presentation on Long-term Energy Outlook, included information on the Short-Term Integrated Forecasting System, the National Energy Modeling System (NEMS), and the System of Analysis of Global Energy (SAGE)...



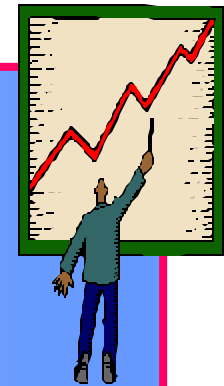


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(Excerpts: Rodekohl Briefing)



- Rodekohl explained EIA's forecast model data flow and linkages; discussed model properties; and explained charts demonstrating energy demand impacts. He also described formal model development and recommendations for developing models...



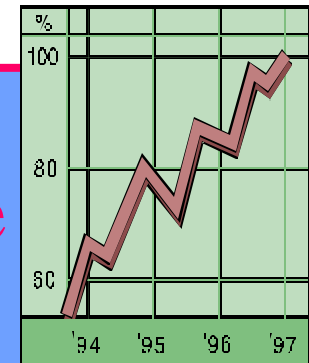


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(Excerpts: Rodekohr Briefing)



- Rodekohr noted that with adequate data, short-term projections have proven to be very popular and are used by many federal, state, and local governments for planning and analysis purposes...





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(Excerpts: Rodekohr Briefing)



- Rodekohr said models like NEMS and SAGE are very large, require large amounts of data and can only be used for detailed analyses of policy proposals given adequate lead time...







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(Excerpts: Kirillov Briefing)



- Vladimir Kirillov provided a briefing on Minenergo's forecasting. In the past, the Ministry used quarterly and annual projections, but it now uses more long-term projections to fulfill Russia's Energy Strategy.





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(Excerpts: Kirillov Briefing)



- Kirillov said Minenergo uses Ministry of Economic Development and Trade numbers of Gross Domestic Product growth and oil and climate developments.
- Each energy sector is represented in the projections...



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(Excerpts: Kirillov Briefing)



- Kirillov said that with short-term projections, Minenergo is interested in demand, as supplies remain ample.
- Minenergo has not developed a forecasting model for price, but is exploring short-term models that could be used.



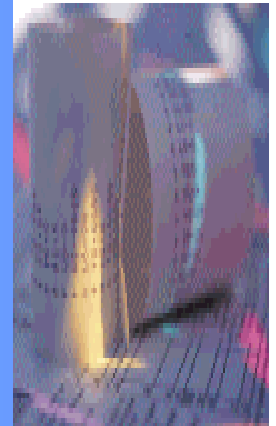


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(Excerpts: Coburn Briefing)



- Coburn's presentation focused on the implications of Tax and Fiscal Policies on the Oil and Gas Industry.
- The presentation covered: how income taxes are calculated for oil and natural gas; how alternative minimum taxes are determined...



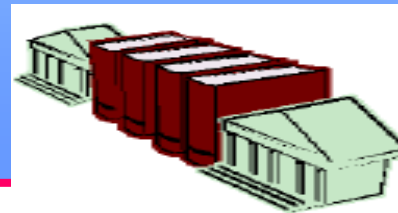


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(Excerpts: Coburn Briefing)



- Coburn's briefing noted how the federal tax code can be used as a policy tool to promote the domestic petroleum industry; types of tax incentives; new tax proposals under consideration by the government, and how to assess the value of a new tax incentive proposal...





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(Excerpts: Tumanova Briefing)



- Yekaterina Tumanova of Minenergo provided a presentation on Russian tax policy. She discussed the two types of taxes paid by the oil industry: general—value-added, profit, property, and unified social; and special—mineral resources, oil product, excise, and duties...



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(Excerpts: Tumanova Briefing)



- Tumanova said that since 2002, Russia's tax laws have been revised considerably. As a result, Tumanova said, the Russian tax system is among the most advantageous internationally with companies typically retaining 55 percent of their profits...



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(Excerpts: Tumanova Briefing)



- Tumanova provided information on the types of taxes oil companies pay, a chart with differences in taxes paid per barrel of Urals crude, and a chart comparing countries' profit retention for oil firms.

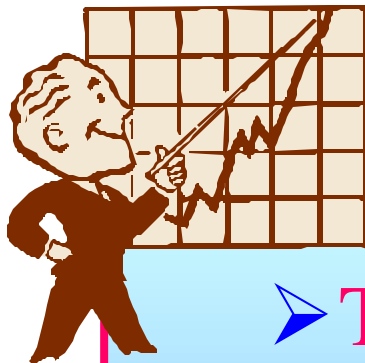






# Oil Market Subgroup

## (Conclusions #1)



- The Oil Market Subgroup agreed that for its next roundtable discussion it would have discussions on long term oil market forecasts and on the price impacts associated with these forecasts...



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## (Conclusions #2)



- The U.S. indicated it would look into a presentation on its disruption model that analyzes price impacts and economic impacts associated with various levels of disruptions in the oil market.

